



QATHET REGIONAL DISTRICT AND POWELL RIVER REGIONAL HOSPITAL DISTRICT

FINAL REPORT TO THE BOARD OF DIRECTORS

For the year ended December 31, 2018

Dated April 22, 2019 for presentation on April 25, 2019



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BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

April 22, 2019

Members of the Board of Directors

qathet Regional District and Powell River Regional Hospital District
#202 - 4675 Marine Avenue
Powell River, BC V8A 2L2

Dear Members of the Board of Directors:

We are pleased to present this report on the results of our audit of the financial statements of qathet Regional District and Powell River Regional Hospital District (the “Regional District” and “Hospital District”) for the year ended December 31, 2018. The purpose of this report is to summarize certain aspects of the audit that we believe to be of interest to the Board of Directors and should be read in conjunction with the draft financial statements and our draft audit reports which is included as Appendix A.

We would like to bring to your attention that our audits and therefore this report will not necessarily identify all matters that may be of interest to the Board of Directors in fulfilling its responsibilities.

This report has been prepared solely for the use of the Board of Directors and should not be distributed without our prior consent. Consequently, we accept no responsibility to a third party that uses this communication.

We wish to express our sincere appreciation for the co-operation we received during the audits from management and staff who have assisted us in carrying out our work. We look forward to connecting with you to discuss the contents of this report and any other matters that you consider appropriate.

Yours truly,

A handwritten signature in black ink, appearing to read 'Kristine Simpson', written in a cursive style.

Kristine Simpson, CPA, CA
Partner through a corporation
BDO Canada LLP
Chartered Professional Accountants

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SUMMARY



Status of the Audit

As of the date of this report, we have substantially completed our audit of the 2018 financial statements, pending completion of the following items:

- ▶ Receipt of signed management representation letters
- ▶ Subsequent events review through to financial statement approval date
- ▶ Approval of financial statements by the those charged with governance.

We conducted our audits in accordance with Canadian generally accepted auditing standards. The objective of our audit was to obtain reasonable, not absolute, assurance about whether the financial statements are free from material misstatement. See Appendix A for our draft independent auditor’s reports.

The scope of the work performed was substantially the same as that described in our Planning Report to the Board of Directors dated January 29, 2019.



Materiality

As communicated to you in our Planning Report to the Board of Directors, preliminary materiality was set as outlined below. Final materiality remained unchanged from our preliminary assessment.

Overall Materiality			
Entity	Materiality	Performance Materiality	Reporting Threshold
Regional District	229,000	171,750	11,450
Hospital District	39,060	29,295	1,953

Specific Materiality - TCA Stream			
Entity	Specific Materiality	Performance Materiality	Reporting Threshold
Regional District	349,000	261,750	17,450
Hospital District	500,000	375,000	25,000



Audit Findings

Our audit focused on the risks specific to your operations and key accounts. Our discussion points below are the key areas of audit focus:

- ▶ Management Override of Internal Controls
- ▶ Grant and Revenue Recognition
- ▶ Staff Salaries
- ▶ The North Island 9-1-1 Corporation
- ▶ Septage Sludge Disposal
- ▶ Tangible Capital Assets and Accumulated Amortization
- ▶ Landfill Post Closure and Post Closure Liability
- ▶ Contaminated Sites
- ▶ Program Schedules



Internal Control Matters

We are required to report to you in writing, any significant deficiencies in internal control that we have identified.

There were no control deficiencies noted that, in our opinion, are of significant importance to discuss with those charged with governance. However, please refer to Appendix D for the management letter which outlines recommendations over areas of operational improvement.

Independence

Our annual letter confirming our independence was previously provided to you. We know of no circumstances that would cause us to amend the previously provided letter. We confirm that we are still independent as of the date of this letter.

Adjusted and Unadjusted Differences

We have disclosed all adjusted and unadjusted differences and disclosure omissions greater than 5% of materiality identified throughout the course of our audit engagement. Each of these items has been discussed with management.

There were no adjusted or unadjusted differences identified.

There were no omitted disclosures identified through the course of our audit engagements.



Management Representations

During the course of our audit, management made certain representations to us. These representations were verbal or written and therefore explicit, or they were implied through the financial statements. Management provided representations in response to specific queries from us, as well as unsolicited representations. Such representations were part of the evidence gathered by us to be able to draw reasonable conclusions on which to base our audit opinion. These representations were documented by including them in the audit working papers, memoranda of discussions with management and written representations received from management.

A summary of the representations we have requested from management is set out in the representation letter included in Appendix B to the report.



Significant Audit Estimates

Management is responsible for determining qathet Regional District and Powell River Regional Hospital District's significant accounting policies. The choice between accounting policy alternatives can have a significant effect on the financial position and results of the organization. The application of those policies often involves significant estimates and judgments by management. Based on the audit work that we have performed, it is our opinion that the accounting policies and estimates in the financial statements are reasonable and the disclosures relating to accounting estimates are in accordance with Canadian public sector accounting standards.

The following PSAS sections came into effect during the year. There were no material changes as result of adoption.

- PS 2200 Related party disclosures
- PS 3420 Inter-entity transactions
- PS 3210 Assets
- PS 3320 Contingent assets
- PS 3380 Contractual rights



Fraud Discussion

Through our planning process, and current and prior years' audits, we have developed an understanding of your oversight processes. We are not currently aware of any fraud affecting the entity, other than items previously reported or discussed.

If you are aware of changes to processes or are aware of any instances of actual, suspected or alleged fraud affecting the Regional District and Hospital District since our discussions held at planning, we request that you provide us with this information.

Please refer to the Auditor's Responsibilities for Detecting Fraud in the Planning Report to the Board of Directors.

AUDIT FINDINGS

As part of our ongoing communications with you, we are required to have a discussion on our views about significant qualitative aspects of the Regional District’s and Hospital District’s accounting practices, including accounting policies, accounting estimates and financial statement disclosures. In order to have a frank and open discussion, these matters can also be discussed verbally with you. A summary of the key discussion points are as follows:

KEY AUDIT AREAS

As described in our Planning Report to the Board of Directors, the following key audit areas were identified based on our knowledge of the qathet Regional District and Powell River Regional Hospital District’s operations, our past experience, and knowledge gained from management and the Board of Directors.

Management Override of Controls

Key Audit Area	Approach	Results
<p>Management is in a unique position to perpetrate fraud because of management’s ability to directly or indirectly manipulate accounting records, and prepare fraudulent financial statements by overriding controls that otherwise appear to be operating effectively.</p> <p><i>This risk is required to be addressed for all audits pursuant to Canadian audit standards.</i></p>	<p>Reviewed transactions recorded in the various ledgers for unusual or non-recurring adjustments not addressed by other audit procedures.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Grant and Revenue Recognition

Key Audit Area	Approach	Results
<p>Accounting standards in this area and are complex and open to interpretation. There is a risk that revenue may be incorrectly deferred into future periods or recognized before stipulations have been met.</p>	<p>Confirmed grant funding received through a review of the agreements, ensuring that the amounts recorded exist, are complete and are recorded accurately.</p> <p>Reviewed any stipulations in the agreements to ensure revenue was recognized when stipulations were met.</p> <p>Other revenue streams were reviewed in accordance with the latest revenue recognition standards.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Staff Salaries

Key Audit Area	Approach	Results
<p>A significant type of expenditure that covers many employees and departments. As a government body, this figure is often of particular interest to financial statement users (taxpayers).</p>	<p>Performed systems testing and tests of controls.</p> <p>Performed substantive analytical procedures around staff salaries and benefits.</p> <p>Reviewed the consistency and appropriateness of the allocations to functions.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

The North Island 9-1-1 Corporation

Key Audit Area	Approach	Results
<p>The Regional District has contributed towards the capital costs for the 9-1-1 emergency dispatch system.</p> <p>There is a risk regarding the completeness and accuracy of the partnership fee, related interest costs, and capital costs reported as the Regional District’s share of physical assets.</p>	<p>We reviewed the North Island 9-1-1 (“NI 911”) audited financial statements as at December 31, 2018.</p> <p>There was no significant change in the equity since the review in the prior year.</p>	<p>qathet Regional District owns 2 of 21 shares (9.55%) of the Corporation. The accumulated equity at December 31, 2018 was \$1.661M. The estimated recoverable amount is \$158,250, being 9.52% of \$1.661M.</p> <p>An adjustment of \$4,654 adjustment was recorded for fiscal 2018.</p>

Septage Sludge Disposal

Key Audit Area	Approach	Results
<p>The Regional District has contracted with the City of Powell River to use their sewage lagoon for the disposal of septage and sewage sludge generated in electoral area A-D until 2025. There is a risk regarding the accuracy of the accounting.</p>	<p>We reviewed amortization of costs, enquired with management of any commitments, and reviewed meeting minutes, legal invoices, and agreements.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Tangible Capital Assets and Accumulated Amortization

Key Audit Area	Approach	Results
<p>Completeness of tangible capital assets, ensuring capital items meet the PSAB criteria, and are being amortized using appropriate estimates of useful lives.</p>	<p>We performed substantive testing of additions and disposals in the year and amortization calculations.</p> <p>Useful lives of existing assets were reviewed for changes in estimates, if applicable.</p> <p>Repairs and maintenance ledgers were also reviewed for possible capital items that have been expensed.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Landfill Post Closure and Post Closure Liability

Key Audit Area	Approach	Results
<p>A liability that requires significant estimates and assumptions, as well as complex calculations.</p>	<p>We assessed the estimate provided by management from the multiple sources of information regarding the capacity, usage to date, expected life, expected closure costs, and post closure monitoring costs.</p>	<p>Previously the Regional District had estimated total closure costs of \$240,000 and was accruing the liability based on the percentage of the landfill used to date and projected capacity being 66% and a net provision of \$169,000. During the current year, the Regional District made a decision to close the landfill in 2019. As a result, updated closure cost estimates were obtained resulting in an estimated cost of \$172,000 including post closure monitoring. The full amount of the closure costs were accrued at December 31, 2018 as a result of the new planned closure date.</p>

Contaminated Sites

Key Audit Area	Approach	Results
<p>Due to the complexity of this relatively new standard, there is a risk that liabilities may not be identified or appropriately estimated.</p>	<p>Reviewed management’s process for identifying the potential contaminated sites, management’s assessment on whether a liability exists, and the basis for the estimated liability.</p> <p>We obtained an update of contaminated sites identified in prior years to determine if their accounting treatment continues to be appropriate and accurate.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

Program Schedules

Key Audit Area	Approach	Results
<p>There is a risk that the program revenues/expenses are not being reflected in the appropriate schedules.</p>	<p>We performed substantive testing on the fund schedules and agreed them to the current year's financial plan to ensure the expenses recorded are reasonable. Control testing was also performed to ensure costs are coded correctly.</p>	<p>All audit testing in this area was executed as planned with no issues to be reported.</p>

INTERNAL CONTROL MATTERS

During the course of our audit, we performed the following procedures with respect to the Regional District's and Hospital District's internal control environment:

- ▶ Documented operating systems to assess the design and implementation of control activities that were determined to be relevant to the audit.
- ▶ Discussed and considered potential audit risks with management.

The results of these procedures were considered in determining the extent and nature of substantive audit testing required.

We are required to report to you in writing, significant deficiencies in internal control that we have identified during the audit. A significant deficiency is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

As the purpose of the audit is for us to express an opinion on the Regional District's and Hospital District's financial statements, our audit cannot be expected to disclose all matters that may be of interest to you. As part of our work, we considered internal control relevant to the preparation of the financial statements such that we were able to design appropriate audit procedures. This work was not for the purpose of expressing an opinion on the effectiveness of internal control.

OTHER REQUIRED COMMUNICATIONS

Professional standards require independent auditors to communicate with those charged with governance certain matters in relation to an audit. In addition to the points communicated within this letter, the table below summarizes these additional required communications.

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
1. Our responsibilities under Canadian Auditing Standards (CAS)	✓		Included in our engagement letter dated January 29, 2019
2. Our audit strategy and audit scope	✓		Included in our Planning Report dated January 29, 2019
3. Fraud risk factors	✓		Included in our Planning Report dated January 29, 2019
4. Going concern matters		✓	None
5. Significant estimates or judgments		✓	See Page 10
6. Audit adjustments		✓	None
7. Unadjusted differences		✓	None
8. Omitted disclosures		✓	None
9. Disagreements with management		✓	There were no disagreements with management
10. Consultations with other accountants or experts		✓	No external experts were consulted during this engagement
11. Major issues discussed with management in regards to retention		✓	None
12. Significant difficulties encountered during the audit		✓	No significant difficulties were encountered during our audit

Required Communication	Audit Planning Presentation	Audit Results Presentation	Auditor Comments
13. Significant deficiencies in internal control		✓	No significant deficiencies were noted
14. Material written communication between BDO and management		✓	No material written communications were noted
15. Any relationships which may affect our independence	✓	✓	No independence issues noted
16. Any illegal acts identified during the audit		✓	No illegal activities identified through the audit process
17. Any fraud or possible fraudulent acts identified during the audit	✓	✓	No fraud identified through the audit process
18. Significant transactions with related parties not consistent with ordinary business operations		✓	None noted
19. Non-compliance with laws or regulations identified during the audit		✓	No legal or regulatory non-compliance matters were noted as part of our audit
20. Limitations of scope over our audit, if any		✓	None
21. Written representations made by management		✓	See Appendix B
22. Any modifications to our opinion, if required		✓	Please see our draft independent auditor's reports included in Appendix A

APPENDIX A: INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

To the Board of Directors of the qathet Regional District

Opinion

We have audited the financial statements of the qathet Regional District (the "Regional District") which comprise the Statement of Financial Position as at December 31, 2018 and the Statements Operations, Changes in Net Financial Assets, and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Regional District's financial statements present fairly, in all material respects, the financial position of the Regional District as at December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Regional District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

The supplementary financial information presented in Schedule 1 to 31 is presented for the purposes of additional analysis and is not a required part of the financial statements. Such supplementary information is the responsibility of management and was derived from the underlying accounting and other records used to prepare the main financial statements. The supplementary information has not been subject to audit.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Regional District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Regional District, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Regional District 's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in

accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of the Regional District's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Regional District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Regional District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants

Vancouver, British Columbia

[Date of Board approval]

Independent Auditor's Report

To the Board of Directors of the Powell River Regional Hospital District

Opinion

We have audited the financial statements of the Powell River Regional Hospital District (the "Hospital District") which comprise the Statement of Financial Position as at December 31, 2018 and the Statements Operations and Cash Flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the Hospital District's financial statements present fairly, in all material respects, the financial position of the Hospital District as at December 31, 2018 and its financial performance and cash flows for the year then ended in accordance with Canadian public sector accounting standards.

Basis for Opinion

We conducted our audit in accordance with Canadian generally-accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Hospital District in accordance with the ethical requirements that are relevant to our audit of the financial statements in Canada and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Canadian public sector accounting standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Hospital District's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Hospital District, or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Hospital District's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally-accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. As part of an audit in accordance with Canadian generally-accepted auditing standards we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. But not for the purpose of expressing an opinion on the effectiveness of the Hospital District's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Hospital District's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However future events or conditions may cause the Hospital District to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Chartered Professional Accountants

Vancouver, British Columbia
[Date of Board approval]

APPENDIX B: REPRESENTATION LETTER

Board Approval Date

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of qathet Regional District for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 10, 2017, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position

Board Approval Date

BDO Canada LLP
Chartered Professional Accountants
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2

This representation letter is provided in connection with your audit of the financial statements of Powell River Regional Hospital District for the year ended December 31, 2018, for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in accordance with Canadian public sector accounting standards.

We confirm that to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated February 10, 2017, for the preparation of the financial statements in accordance with Canadian public sector accounting standards; in particular, the financial statements are fairly presented in accordance therewith.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of Canadian public sector accounting standards.
- All events subsequent to the date of the financial statements and for which Canadian public sector accounting standards require adjustment or disclosure have been adjusted or disclosed.
- The financial statements of the entity use appropriate accounting policies that have been properly disclosed and consistently applied.
- The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements is attached to the representation letter.
- We have reviewed and approved all journal entries recommended by the practitioners during the audit

Information Provided

- We have provided you with:
 - access to all information of which we are aware that is relevant to the preparation of the financial statements, such as records, documentation and other matters;
 - additional information that you have requested from us for the purpose of the audit; and
 - unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- We are responsible for the design, implementation and maintenance of internal controls to prevent, detect and correct fraud and error, and have communicated to you all deficiencies in internal control of which we are aware
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the entity’s related parties and all the related party relationships and transactions of which we are aware.

Fraud and Error

- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity’s financial statements communicated by employees, former employees, analysts, regulators, or others.

General Representations

- The nature of all material uncertainties have been appropriately measured and disclosed in the financial statements, including all estimates where it is reasonably possible that the estimate will change in the near term and the effect of the change could be material to the financial statements.

Other Representations Where the Situation Exists

- We have informed you of all known actual or possible litigation and claims, whether or not they have been discussed with legal counsel. Since there are no actual, outstanding or possible litigation and claims, no disclosure is required in the financial statements.

Yours truly,

Signature

Position

APPENDIX C: MANAGEMENT LETTER

Direct Line: 604-443-4735
E-Mail: ksimpson@bdo.ca

April 25, 2019

qathet Regional District
202-4675 Marine Avenue
Powell River, BC V8A 2L2

To the Board of Directors of the qathet Regional District

As your external auditors, we are engaged to provide an audit opinion on your year-end financial statements. An external audit requires testing of transactions and balances and review of those internal control systems upon which we may place reliance. A positive opinion on the financial statements does not necessarily mean that your internal control systems are all operating effectively. This is because we review only those internal control systems where we feel that failure in those systems could result in a material error on the financial statements. With those systems that we do review, our focus is on the assertions necessary to meet our financial statement audit objectives.

Our review of systems, transactions and balances as well as discussions with staff at various levels gives us a unique insight into your operations. While conducting this work we make note of items that come to our attention where we feel that improvement could be made or alternatives could be considered. We are fortunate in that we work with a great number of clients and observe a wide variety of processes. We see firsthand any procedures that are emerging as best practices. As matters come to our attention, we make note of these for subsequent follow-up. For minor matters we discuss directly with the staff involved. More important matters are brought forward in this letter (known as a management letter).

It is worth noting that we have management letter comments for virtually all audits of all clients.

The existence of points does not mean that there are significant problems with your systems or staff. They are just recommendations to make good systems better.

Current Year Points:

1. Account receivable clearing

We noted during the audit that there were a number of balances in the receivables reconciliation that had not been cleared for some time. Although at this time these balances are trivial, there is a risk that the financial position could be misstated in the future.

We recommend regular and systematic review and clearing of receivable accounts in order to ensure financial information is relevant and accurate.



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cc: Board of Directors